

WASHINGTON STATE DEPARTMENT OF REVENUE



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**Internet Tobacco Seller Agrees to Turn Over Lists of Washington Customers to Department of Revenue**

**SEATTLE, Wash., Dec. 11, 2003**—A Kentucky company that sells cut-rate cigarettes over the Internet has agreed to provide the Washington State Department of Revenue with lists of its customers so the state can collect unpaid taxes.

www.Dirtcheapcig.com, Inc. entered into a stipulated judgment in U.S. District Court in Seattle agreeing to provide the state with the names and addresses of all Washington customers that have purchased cigarettes and other tobacco products since Jan. 1, 2001, and to file monthly reports in the future.

Attorney General Christine Gregoire sued the company in October 2002 on behalf of the Department of Revenue. The Department had been unable to get the company to comply with the federal Jenkins Act, which requires remote sellers to provide the customer lists. Congress passed the Jenkins Act in 1955 to reduce the loss of revenue to states caused by failure to pay sales and use taxes on cigarettes shipped across state lines directly to customers.

www.dirtcheapcig.com initially contended that it wasn't required to file the reports, but relented after Judge Robert Lasnik ruled that the Department of Revenue had jurisdiction to enforce the Jenkins Act.

Cigarette tax evasion has grown as the tax on cigarettes and other tobacco products has risen, first through legislative action in the mid-1990s and more recently through citizen initiative. Most of the revenues provide affordable health care to families.

"Enforcement of our state's cigarette excise tax is critical to the public health," said Gregoire. "The court recognized that Internet cigarette sales are not exempt from taxation, and this settlement will help ensure that those taxes are properly paid."

Acting Revenue Director Will Rice said the state will begin sending bills to purchasers for unpaid taxes. Those who fail to comply will be subject to fines and collection action.

"Nobody likes paying taxes, but it's simply not fair to let online retailers undercut state tax systems this way," said Rice. "Moreover, they mislead their customers into thinking that it is legal to buy cigarettes without paying Washington taxes."

Rice said now that the state has successfully pursued its case against [www.dirtcheapcig.com](http://www.dirtcheapcig.com), it may pursue dozens of other Internet sellers who also refuse to provide lists. Some of these vendors, concerned perhaps by the lawsuits brought by Washington and other states, have begun voluntarily providing the lists.

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